

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: EMIN, ENRG, GR

SUBJECT: DEVELOPMENT OF NORTHERN GREECE'S LIGNITE DEPOSITS

REF: DEPT'S A-7268

1. IN ACCORDANCE WITH REF AIRGRAM, THIS TELEGRAM IS UNCLASSIFIED WITH THE EXCEPTION OF PARA 6.

2. SUMMARY. A MAJOR CONTRACZ BETWEEN AXLADA LIGNITE MINE OF NORTHERN GREECE AND THE ITALIAN FIRM TECHMO-HUNTER WAS ANNOUNCED DEC. 9. \$400 MILLION PROJECT CALLS FOR 4 PLANTS TO PRODUCE ORGANIC-CHEMICAL FERTILIZER, AMMONIA, UREA, AND GASOLINE, OIL, AND GAS USING LIGNITE AS RAW MATERIAL. DETAILS OF PROJECT ARE SKETCHY BUT IF IT GOES FORWARD, SIGNIFICANT OPPORTUNITIES MAY BE AVAILABLE FOR AMERICAN COMPANIES. END SUMMARY.

3. IN HIS WEEKLY PRESS CONFERENCE DEC 9, MINISTER OF NORTHERN GREECE MARTIS ANNOUNCED THAT A CONTRACT HAD BEEN SIGNED BETWEEN THE AXLADA LIGNITE MINE AND THE ITALIAN FIRM, TECHMB-HUNTER, FOR THE EXPLOITATION

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OF AXLADA'S LIGNITE DEPOSITS. THE CONTRACT REPORTEDLY

CALLS FOR A JOINT PROGRAM TO ESTABLISH THE FOLLOWING
INDUSTRIAL UNITS:

A) PLANT TO PRODUCE 100,000 TONS ANNUALLY OF
ORGANIC-CHEMICAL FERTILIZER.

B) AMMONIA PLANT TO PRODUCE 1,000,000 TONS ANNUALLY.

C) UREA PLANT.

D) LIGNITE CONVERSION PLANT FOR OIL, GASOLINE AND GAS.

4. THE ESTIMATED COST OF ALL THE FACILITIES IS
\$400 MILLION. THE FIRST STEP IN REALIZING THEM WILL
BE A PRELIMINARY SURVEY BY TECHMO-HUNTER TO BE CONCLUDED
IN TWO MONTHS, AND THEN A DECISION WILL BE MADE ON
CONSTRUCTING ANY OR ALL OF THE PLANTS. THE ITALIAN
FIRM IS SUPPOSED TO FINANCE 85 O/O OF THE PROJECT AND
WILL RECEIVE 25 O/O OF THE SHARES OF THE OPERATING
COMPANIES TO BE FORMED, AND WILL UNDERTAKE TO EXPORT
50 O/O OF THE PRODUCTS TO BE PRODUCED.

5. THE AXLADA LIGNITE MINE IS OWNED AND OPERATED BY
THE ROZAS FAMILY OF FLORINA IN WESTERN MACEDONIA.
IT IS LOCATED DIRECTLY ON THE YUGOSLAV BORDER ABOUT
15 MILES NORTHEAST OF FLORINA AND IS OPERATED PERSONALLY
BY THE ELDER MR. ROZAS, HIS THREE GROWN SONS AND A
SMALL NUMBER OF EMPLOYEES. THE MINE IS AN OPEN-PIT
TYPE WITH SIMPLE FRONT-SHOVEL TYPE LOADERS USED TO
SCRAPE UP THE LIGNITE WHICH IS SHIPPED OUT BY TRUCK.
THERE ARE NO RAIL FACILITIES. THE ROZAS CLAIM THEIR
LIGNITE RESERVES ARE 508 MILLION TONS AND WHILE
THEIR FULL EXPLOITATION HAS LONG BEEN THE FAMILY'S
DREAM, THE MOST IMPORTANT CONTRACT TO DATE HAS BEEN
TO SUPPLY 300,000 TONS OF LIGNITE TO THE PUBLIC POWER
CORPORATION (PPC) ELECTRICITY GENERATING PLANT AT
PTOLEMAIS ABOUT 30 MILES AWAY. ACCORDING TO THE ELDER
MR. ROZAS, CONTRACTS FOR AN ADDITIONAL MILLION
TONS ARE BEING NEGOTIATED WITH PPC.
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6. BEGIN LOU. THE NEW CONTRACT, OR AT LEAST ITS FULL
REALIZATION, MAY BE ANOTHER ROZAS FAMILY DREAM. CONGEN'S
POLITICAL/ECONOMIC
OFFICER (COONY), WHO IS PERSONALLY
ACQUAINTED WITH THE ROZAS, VISITED THEM DEC 12 TO
DISCUSS DETAILS OF NEW CONTRACT AND THEIR EXPECTATIONS
FROM IT. THE DETAILS ARE SKETCHY, A FACT WHICH BECOMES

UNDERSTANDABLE WHEN MR. ROZAS EXPLAINS THAT THE CONTRACT WAS SIGNED AFTER A MARATHON NEGOTIATING SESSION IN MINISTER MARTIS' OFFICE. (MR. ROZAS ONLY HALF-FACETIOUSLY EXPLAINED THAT CHAMBER POTS WERE SENT OUT FOR RATHER THAN LET THE ITALIANS OUT OF THE ROMM.) THE CONTRACT APPARENTLY PROVIDES, ASSUMING THE FEASIBILITY STUDY TO BE COMPLETED IN FEB 1976 IS SATISFACTORY, THAT THE ORGANIC-CHEMICAL FERTILIZER PLANT WILL BE STARTED IMMEDIATELY WITH AN 18 MONTH COMPLETION TARGET. NEXT WOULD BE THE AMMONIA PLANT FOLLOWED BY THE UREA AND LIGNITE CONVERSION PLANTS. EVEN THE INDOMITABLY OPTIMISTIC ROZAS ARE DOUBTFUL ABOUT THE LATTER TWO, ALTHOUGH THEY ARE CONVINCED THE FIRST TWO WILL BE REALIZED. IT IS CLEAR THAT THE SPEED WITH WHICH THE CONTRACT WAS NEGOTIATED SURPRISED EVEN THE ROZAS AND MAY HAVE BEEN THE RESULT OF MINISTER MARTIS' ACTIVE INTERVENTION, PROMPTED IN TURN BY THE GOG'S STATED INTENTION TO DEVELOP NORTHERN GREECE'S LIGNITE POTENTIAL. END LOU.

7. WHATEVER PROBLEMS THAT MAY EXIST WITH DETAILS OF THE ROZAS/TECHMO-HUNTER CONTRACT, THE AXLADA LIGNITE MINE DOES HAVE IMPRESSIVE RESERVES OF HIGH QUALITY LIGNITE. THIS HAS BEEN CONFIRMED BY BRIEF VISIT OF QUALIFIED AMERICAN ENGINEERS WERE VISUALLY ABLE TO OBSERVE THE EXTENT OF THE DEPOSITS AND GET SOME IDEA OF THEIR QUALITY. THE CONSTRUCTION OF AN ORGANIC-CHEMICAL FERTILIZER PLANT USING LIGNITE AS A RAW MATERIAL HAS ALSO BEEN UNDER CONSIDERATION BY THE ROZAS FOR MANY YEARS. ONE SON, A GERMAN-EDUCATED ENGINEER WHO WORKED IN AUSTRIA FOR A NUMBER OF YEARS, IS THE PRIME MOVER LIMITED OFFICIAL USE

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BEHIND THIS. A PROCESS, DEVELOPED AND PATENTED BY THE AUSTRIAN FIRM ALPINE, HAS ALREADY BEEN SELECTED AND IF FINANCING CAN BE FOUND EITHER BY TECHMO-HUNTER, OR FROM GREEK OR INTERNATIONAL FINANCING SOURCES, THE FERTILIZER PLANT WILL PROBABLY BE BUILT. AS NOTED ABOVE, THE GOG HAS SAID IT INTENDS TO DEVELOP NORTHERN GREECE'S LIGNITE AND THIS INTENTION WAS UNDERScoreD BY PRIME MINISTER KARAMANLIS IN VISIT TO NORTHERN GREECE NOV 22-24 (THESS 666).

8. AS AND IF THESE PROJECTS GO FORWARD, THERE SHOULD BE SIGNIFICANT OPPORTUNITIES FOR AMERICAN COMPANIES. THE ROZAS ARE VERY IMPRESSED WITH AMERICAN TECHNOLOGY AND WOULD WELCOME AMERICAN PARTICIPATION, PARTICULARLY IN THE DESIGN AND CONSTRUCTION OF THE AMMONIA PLANT

WHICH IS SCHEDULED TO BE BUILT AFTER THE FERTILIZER
PLANT. THEIR CONTRACT WITH
TECHMO-HUNTER PERMITS
THE ROZAS OO CONTRACT FOR VARIOUS PHASES OF THE
OVERALL PROJECT WITH OTHER COMPANIES.

9. ON A SMALLER SCALE, THE AXLADA LIGNITE MINE'S
NEW CONTRACTS TO SUPPLY PPC WITH LIGNITE WILL REQUIRE
AN EXPANSION OF THEIR MINING CAPACITY. OGEY ARE
INTERESTED IN AMERICAN EQUIPMENT FOR THIS AND THE
CONGEN IS SUBMITTING A SPECIAL TRADE OPPORTUNITY FOR
THIS PURPOSE.

10. FOR ROME: WOULD APPRECIATE ANY INFO WHICH YOU
MIGHT HAVE READILY AVAILABLE ON TECHMO-HUNTER.
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